

# Filtronic

Contract win

## Upgrading on follow-on space order

Tech hardware and equipment

3 September 2024

**Price** 79p  
**Market cap** £173m

Net cash (£m) at end FY24 (including PPE lease liabilities) 5.2

Shares in issue 218.6m

Free float 66.1%

Code FTC

Primary exchange AIM

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 21.4 28.2 381.8

Rel (local) 18.9 26.8 329.3

52-week high/low 79.5p 14.5p

### Business description

Filtronic is a designer and manufacturer of advanced radio frequency communications products, supplying a number of market sectors including mobile telecommunications infrastructure, space, public safety and aerospace & defence.

### Next events

AGM 31 October

### Analyst

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Filtronic continues to benefit from the agreement signed with SpaceX in April – it has received a follow-on production order for E-band solid state power amplifier (SSPA) modules with shipment expected in CY25. As management anticipates this pushing FY25 revenue ahead of market expectations, we have upgraded our FY25 and FY26 revenue and EPS forecasts to reflect the new contract and the related vesting of warrants. While the maximum level of warrants has been earned from E-band product orders, we believe there is still potential for more orders at this frequency, in addition to the opportunity to supply products at different frequency bands.

Year end	Revenue (£m)	EBITDA* (£m)	PBT* (£m)	Diluted EPS* (p)	DPS (p)	P/E (x)
05/23	16.3	1.3	0.1	0.06	0	N/A
05/24	25.4	4.9	3.4	1.43	0	55.2
05/25e	39.9	9.3	7.1	3.02	0	26.2
05/26e	41.1	9.5	6.9	2.93	0	26.9

Note: \*EBITDA, PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Follow-on order from SpaceX

On 30 August, Filtronic announced it had received an \$8.4m/£6.4m follow-on order from SpaceX for E-band SSPA modules for use in ground stations for the SpaceX Starlink constellation. The company expects to fulfil the order in CY25 and therefore expects to trade ahead of market expectations in FY25. As a result of the order, a further 2,171,211 warrants have vested, resulting in a total of 10,856,055 vested warrants, equivalent to 5% of Filtronic's share capital at the time of signing the agreement. This is the maximum number of warrants that can be earned from this part of the agreement. Any further warrant vesting depends on receiving orders for technology developed at other frequency bands.

## Upgrading forecasts

We have revised our forecasts to reflect the majority of the order shipping in FY25 with the remainder in FY26. We have also reflected the new vested warrants in our diluted EPS forecasts. We have upgraded our revenue forecasts by 13.4% in FY25 and 2.9% in FY26, with diluted EPS upgrades of 23.0% and 5.5%, respectively.

## Valuation: Growing confidence

The stock has more than doubled since the SpaceX strategic agreement was signed in April, after a material FY25 estimate upgrade. The stock now trades on a P/E of 26.2x FY25e and 26.9x FY26e. Using a 10-year reverse discounted cash flow with a weighted average cost of capital of 8%, the current share price is arrived at using revenue growth of 13.5% per year for FY27–34e and EBITDA margins growing from an estimated 23.0% in FY26 to 25.2% over the period. In our view, the relationship with SpaceX, the potential to widen the customer base in the space market and growing penetration of the aerospace and defence market all provide avenues for sustainable growth.

## Changes to forecasts

Exhibit 1: Changes to forecasts									
£m	FY25e old	FY25e new	Change	y-o-y	FY26e old	FY26e new	Change	y-o-y	
Revenues	35.2	39.9	13.4%	57.0%	40.0	41.1	2.9%	3.0%	
EBITDA	8.0	9.3	17.4%	90.9%	9.0	9.5	4.7%	1.3%	
EBITDA margin	22.6%	23.4%	0.8pp	4.1pp	22.6%	23.0%	0.4pp	-0.4pp	
Reported operating profit	6.1	7.4	22.8%	105.9%	6.8	7.3	6.2%	-2.4%	
Reported operating margin	17.2%	18.6%	1.4pp	4.4pp	17.1%	17.6%	0.6pp	-1.0pp	
Reported PBT	5.7	7.1	24.2%	111.2%	6.5	6.9	6.5%	-2.5%	
Normalised net income	5.7	7.1	24.2%	122.7%	6.5	6.9	6.5%	-2.5%	
Reported net income	5.7	7.1	24.2%	126.0%	6.5	6.9	6.5%	-2.5%	
Normalised basic EPS (p)	2.63	3.26	24.1%	121.1%	2.97	3.17	6.4%	-2.8%	
Normalised diluted EPS (p)	2.45	3.02	23.0%	111.0%	2.78	2.93	5.5%	-2.8%	
Reported basic EPS (p)	2.63	3.26	24.1%	124.5%	2.97	3.17	6.4%	-2.8%	
Net debt/(cash)	(6.1)	(6.7)	9.7%	27.5%	(11.1)	(11.9)	7.5%	79.0%	

Source: Edison Investment Research

**Exhibit 2: Financial summary**

Year end May	£m	2021	2022	2023	2024	2025e	2026e
<b>INCOME STATEMENT</b>							
Revenue		15.6	17.1	16.3	25.4	39.9	41.1
EBITDA		1.8	2.8	1.3	4.9	9.3	9.5
Operating profit (before amort. and excepts.)		0.6	1.6	0.2	3.7	7.4	7.3
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		0.1	0.4	0.0	0.0	0.0	0.0
Reported operating profit		0.6	2.0	0.2	3.6	7.4	7.3
Net Interest		(0.4)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		0.1	1.5	0.1	3.4	7.1	6.9
Profit Before Tax (reported)		0.2	1.9	0.1	3.4	7.1	6.9
Reported tax		(0.2)	(0.4)	0.4	(0.2)	0.0	0.0
Profit After Tax (norm)		0.3	1.2	0.1	3.2	7.1	6.9
Profit After Tax (reported)		0.1	1.5	0.5	3.1	7.1	6.9
Discontinued operations		0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		0.3	1.2	0.1	3.2	7.1	6.9
Net income (reported)		0.1	1.5	0.5	3.1	7.1	6.9
Average Number of Shares Outstanding (m)		213	215	215	216	218	219
EPS - normalised (p)		0.14	0.54	0.07	1.47	3.26	3.17
EPS - normalised fully diluted (p)		0.14	0.53	0.06	1.43	3.02	2.93
EPS - basic reported (p)		0.03	0.68	0.22	1.45	3.26	3.17
Dividend (p)		0.00	0.00	0.00	0.00	0.00	0.00
<b>BALANCE SHEET</b>							
Fixed Assets		6.2	5.4	7.4	8.2	13.8	14.7
Intangible Assets		1.7	1.5	1.8	2.3	2.9	3.6
Tangible Assets		3.3	3.0	4.3	4.9	9.9	10.1
Investments & other		1.2	0.9	1.3	1.0	1.0	1.0
Current Assets		8.4	11.1	10.7	17.0	23.8	29.7
Stocks		2.2	2.6	2.8	3.3	5.1	5.3
Debtors		3.3	4.5	5.3	6.6	8.8	9.5
Cash & cash equivalents		2.9	4.0	2.6	7.2	9.9	14.9
Other		0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities		(3.6)	(4.0)	(4.8)	(8.2)	(10.6)	(10.7)
Creditors		(2.4)	(3.0)	(3.7)	(5.4)	(8.8)	(8.9)
Short term borrowings including lease liabilities		(0.6)	(0.5)	(0.6)	(0.9)	(0.9)	(0.9)
Other		(0.6)	(0.5)	(0.5)	(1.9)	(0.9)	(0.9)
Long Term Liabilities		(1.7)	(1.4)	(1.7)	(2.3)	(4.7)	(4.4)
Long term borrowings		(1.6)	(1.3)	(1.7)	(2.1)	(4.5)	(4.3)
Other long term liabilities		(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)
Net Assets		9.4	11.0	11.5	14.8	22.3	29.2
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		9.4	11.0	11.5	14.8	22.3	29.2
<b>CASH FLOW</b>							
Op Cash Flow before WC and tax		1.8	2.8	1.3	4.9	9.3	9.5
Working capital		1.1	(0.8)	(0.4)	1.5	(1.6)	(0.8)
Exceptional & other		(1.0)	0.3	0.0	0.0	0.0	0.0
Tax		0.5	0.0	0.0	(0.0)	0.0	0.0
Operating Cash Flow		2.5	2.3	0.9	6.3	7.7	8.7
Capex (including capitalised R&D)		(0.4)	(0.3)	(1.5)	(1.6)	(4.2)	(2.3)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0	0.0
Net interest		(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)
Equity financing		0.0	0.0	0.0	0.1	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow		1.9	1.9	(0.8)	4.6	3.2	6.0
Opening net debt/(cash)		0.7	(0.8)	(2.2)	(0.3)	(4.2)	(4.5)
FX		0.0	0.0	0.0	0.0	0.4	0.0
Other non-cash movements		(0.4)	(0.5)	(1.1)	(0.7)	(3.3)	(0.8)
Closing net debt/(cash) including lease liabilities		(0.8)	(2.2)	(0.3)	(4.2)	(4.5)	(9.7)
Property lease liabilities		1.2	1.0	1.295	1.0	2.2	2.2
Closing net debt/(cash)		(2.0)	(3.1)	(1.6)	(5.2)	(6.7)	(11.9)

Source: Filtronic, Edison Investment Research

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